



### *Directors*

RUPERT N. HAMBRO  
RICHARD A. HUBBER-RICHARD  
AUGUSTUS S. LEACH, JR.  
A. SEARLE LEACH  
J. DEREK RILEY  
JOHN D. SCOTT  
STEWART A. SEARLE

London, England  
Vancouver, B.C.  
Winnipeg, Manitoba  
Winnipeg, Manitoba  
Winnipeg, Manitoba  
Whitehorse, Yukon  
Winnipeg, Manitoba

### *Officers*

*Chairman of the Board*  
*President*  
*Vice-President Administration*  
*Vice-President Operations*  
*Vice-President Corporate Affairs*  
*Treasurer*  
*Secretary*

STEWART A. SEARLE  
RICHARD A. HUBBER-RICHARD  
CHARLES W. KINGSTON  
PETER B. HOLMES  
JOHN S. BUTTERFIELD  
ROBERT W. UNSWORTH  
JAMES D. PIERS

### *Head Office*

Box 10140,  
Pacific Centre,  
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Vancouver, B.C. V7Y 1E6

### *Registrar and Transfer Agent* *(Common and Preferred Shares)*

The Royal Trust Company,  
Vancouver, Calgary,  
Toronto and Montreal



## Directors' Report to Shareholders

Net earnings in 1977 were \$1,476,000 or 58¢ per issued common share as compared to \$816,000 or 24¢ in 1976. Revenues increased by 31% to \$69,217,000 from \$52,764,000.

The increase in revenues reflects a return to normal operations in the mining industry as compared with 1976 when strikes caused major disruptions. However, earnings were not up to our expectations because of three major factors. The depletion of mechanical staff in our highway operations during the lengthy strikes of 1976 created severe maintenance problems in 1977 resulting in unusually high operating costs, reduced equipment availability, and severe losses in our trucking operations. The unusually mild weather in the north during 1977 adversely affected petroleum sales. The devaluation of the Canadian dollar resulted in currency exchange losses of \$456,000 in our U.S. operations in Alaska.

Capital expenditures during 1977 totalled \$4,183,000. These additions included the replacement of 15 track miles of rail with new 100 lb. rail, the modification of rail equipment to increase the payload and handling efficiency of mine concentrates, the acquisition of new highway equipment, and the construction of our second self-serve gasoline station.

During the year long term debt was reduced by \$1,436,000 to \$1,969,000 at year end. Working capital decreased from \$2,833,000 to \$1,909,000.

The short term outlook for the company is clouded by a number of unfavourable developments. Cassiar Asbestos Corporation, which has been a major customer of the company for over twenty years, has announced the closure of its Clinton Creek mine in the Yukon Territory in June, 1978. Cassiar has also signified its intention to ship the output of its Cassiar, B.C. mine through the Port of Stewart, B.C. commencing in mid 1978. These decisions will result in a reduction

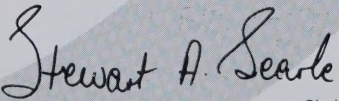
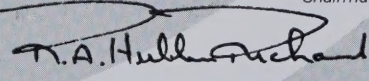
of approximately 18% of the annual gross revenues of the company and will have a severe impact on earnings. Also, the continuing discount of the Canadian dollar with respect to the U.S. dollar will produce a major increase in the cost of our Alaska operations. Plans are now underway for a comprehensive cost reduction program to cope with this situation and these plans will most probably result in reduced frequency of ocean service, increased freight rates, and considerable reduction in staff.

Offsetting these unfavourable developments, the long term future of the company looks encouraging. The recently announced Alaska Highway Gas Pipeline project as well as the Shakwak Project — the paving of the Alaska Highway from Haines Junction to the Alaska border, are expected to generate considerable growth in the Yukon and Alaska areas serviced by our transportation system and we expect to participate in this growth. In the longer term, the rich mineralized areas of the north should produce new mining operations which we expect to serve.

With regret we report the passing of retired former President, Clifford J. Rogers, who made a significant contribution to the growth of the company during his 68 years of service as employee, officer and director.

We express our appreciation for the efforts of our employees during the past year.

On behalf of the Board of Directors,

  
Chairman  
  
President

Vancouver, B.C.  
March 2, 1978



# Consolidated Balance Sheet as at December 31, 1977

| Assets   | 1977                | 1976<br><small>(Restated<br/>— Note 5)</small> |
|--|---------------------|--|
| Current:   |                     |  |
| Cash and short-term deposits .....   | \$ 2,488,000        | \$ 130,000                                     |
| Accounts receivable .....  | 8,059,000           | 6,909,000                                      |
| Income taxes recoverable .....   | —                   | 1,147,000                                      |
| Inventories  |                     |  |
| Petroleum and other products for resale .....  | 6,074,000           | 6,028,000                                      |
| Materials and supplies .....   | 3,106,000           | 3,153,000                                      |
| Prepaid expenses .....   | 580,000             | 504,000  |
|  | <u>20,307,000</u>   | <u>17,871,000</u>                              |
| Mortgages and agreements receivable .....  | 317,000             | 377,000  |
| Fixed:   |                     |  |
| Rail property and equipment .....  | 31,083,000          | 29,011,000                                     |
| Ships, freight containers, motor vehicles,<br>buildings, pipeline and other property ..... | <u>36,162,000</u>   | <u>35,121,000</u>                              |
|  | 67,245,000          | 64,132,000                                     |
| Less: Accumulated depreciation .....   | 28,065,000          | 25,574,000                                     |
|  | <u>39,180,000</u>   | <u>38,558,000</u>                              |
| Discount and issue expense of long-term debt<br>less amounts written-off .....             | <u>7,000</u>        | <u>14,000</u>                                  |
|  | <u>\$59,811,000</u> | <u>\$56,820,000</u>                            |

Approved by the Directors:

S. A. SEARLE, *Director*

R. A. HUBBER-RICHARD, *Director*



| Liabilities                                      | 1977              | 1976<br>(Restated<br>— Note 5) |
|--|-------------------|--------------------------------|
| Current:   |                   |                                |
| Excess of cheques issued over cash in bank ..... | \$ 2,855,000      | \$ 2,091,000                   |
| Bank loan, secured (Note 2) .....                | 4,094,000         | 3,875,000                      |
| Accounts payable and accrued charges .....       | 9,433,000         | 7,731,000                      |
| Current portion of long-term debt .....          | 1,436,000         | 1,341,000                      |
| Income taxes payable .....                       | 580,000           | —                              |
|  | <u>18,398,000</u> | <u>15,038,000</u>              |
| Long-term debt (Note 2) .....                    | <u>1,969,000</u>  | <u>3,405,000</u>               |
| Deferred income taxes .....                      | <u>5,346,000</u>  | <u>5,384,000</u>               |

## Shareholders' Equity

### Share capital (Note 3):

#### Authorized

500,000 cumulative, redeemable, preferred  
shares with a par value of \$25 each,  
issuable in series

2,500,000 common shares without par value

#### Issued and fully paid

|   |                     |                     |
|---|---------------------|---------------------|
| 220,000 6¾% preferred shares Series A .....         | 5,500,000           | 5,500,000           |
| 1,891,516 common shares .....                       | 4,783,000           | 4,783,000           |
| Surplus resulting from consolidation (Note 4) ..... | 6,598,000           | 6,598,000           |
| Retained earnings .....                             | <u>17,217,000</u>   | <u>16,112,000</u>   |
|   | <u>34,098,000</u>   | <u>32,993,000</u>   |
|   | <u>\$59,811,000</u> | <u>\$56,820,000</u> |

## Auditors' Report

TO THE SHAREHOLDERS OF THE WHITE PASS AND YUKON CORPORATION LIMITED.

We have examined the consolidated balance sheet of The White Pass and Yukon Corporation Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



## Consolidated Statement of Earnings

For the year ended December 31, 1977

|   | 1977                | 1976              |
|---|---------------------|-------------------|
| Revenue:  |                     |                   |
| Petroleum and equipment sales .....   | \$27,667,000        | \$22,368,000      |
| Transportation .....  | 41,075,000          | 30,060,000        |
| Other .....   | 475,000             | 336,000           |
|   | <u>69,217,000</u>   | <u>52,764,000</u> |
| Cost of sales and operating expenses .....                                      | 63,015,000          | 48,654,000        |
| Depreciation .....  | 3,263,000           | 3,080,000         |
| Gain on disposal of fixed assets .....  | (88,000)            | (157,000)         |
| Interest on long-term debt .....  | 292,000             | 360,000           |
| Unrealized foreign exchange loss .....  | 299,000             | —                 |
|   | <u>66,781,000</u>   | <u>51,937,000</u> |
|   | 2,436,000           | 827,000           |
| Net earnings of subsidiary prior to regulatory<br>approval of acquisition ..... | —                   | 289,000           |
| Earnings before income taxes .....  | 2,436,000           | 1,116,000         |
| Income taxes .....  | 960,000             | 300,000           |
| Net earnings for the year .....   | <u>\$ 1,476,000</u> | <u>\$ 816,000</u> |
| Net earnings per common share (Note 6) .....                                    | <u>\$ .58</u>       | <u>\$ .24</u>     |

## Consolidated Statement of Retained Earnings

For the year ended December 31, 1977

|  |                     |                     |
|--|---------------------|---------------------|
| Balance, beginning of the year:                        |                     |                     |
| As previously reported .....                           | \$15,758,000        | \$15,644,000        |
| Adjustment of prior years' income taxes (Note 5) ..... | 354,000             | 354,000             |
| As restated .....                                      | 16,112,000          | 15,998,000          |
| Net earnings for the year .....                        | 1,476,000           | 816,000             |
|  | <u>17,588,000</u>   | <u>16,814,000</u>   |
| Dividends paid:  |                     |                     |
| Preferred (\$1.6875 per share) .....                   | 371,000             | 371,000             |
| Common (1976 — \$.175 per share) .....                 | —                   | 331,000             |
|  | <u>371,000</u>      | <u>702,000</u>      |
| Balance, end of the year .....                         | <u>\$17,217,000</u> | <u>\$16,112,000</u> |



# Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1977

|  | 1977                | 1976<br>(Restated<br>— Note 5) |
|--|---------------------|--------------------------------|
| Financial resources were provided by:  |                     |                                |
| Net earnings for the year .....  | \$ 1,476,000        | \$ 816,000                     |
| Charges to earnings not resulting in an outlay of working capital  |                     |                                |
| Depreciation .....   | 3,263,000           | 3,080,000                      |
| Deferred income taxes .....  | (38,000)            | (205,000)                      |
| Amortization of discount and debt issue expense ..   | 7,000               | 20,000                         |
| Gain on disposal of fixed assets .....   | (88,000)            | (157,000)                      |
| Reduction in excess of par value over purchase price of parent company debt redeemed from subsidiaries ..... | —                   | (98,000)                       |
|  | <u>4,620,000</u>    | <u>3,456,000</u>               |
| Disposal of fixed assets .....   | 376,000             | 487,000                        |
| Mortgages and agreements receivable .....  | 103,000             | 157,000                        |
| Other .....  | 10,000              | 3,000                          |
|  | <u>5,109,000</u>    | <u>4,103,000</u>               |
| Financial resources were used for:   |                     |                                |
| Mortgages and agreements receivable .....  | 43,000              | 110,000                        |
| Additions to fixed assets .....  | 4,183,000           | 3,438,000                      |
| Reduction of long-term debt .....  | 1,436,000           | 1,270,000                      |
| Dividends paid .....   | 371,000             | 702,000                        |
| Excess of cost of subsidiary acquired over net book value .....  | —                   | 182,000                        |
|  | <u>6,033,000</u>    | <u>5,702,000</u>               |
| Decrease in working capital during the year .....  | 924,000             | 1,599,000                      |
| Working capital, beginning of the year .....   | <u>2,833,000</u>    | <u>4,432,000</u>               |
| Working capital, end of the year .....   | <u>\$ 1,909,000</u> | <u>\$ 2,833,000</u>            |



# Notes to Consolidated Financial Statements

December 31, 1977

## Note 1—Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of the company and all its wholly-owned subsidiaries as follows:

British Columbia-Yukon Railway Company  
The British Yukon Navigation Company, Limited  
British Yukon Ocean Services Ltd.  
The British Yukon Railway Company  
Loiselle Transport Limited  
Pacific and Arctic Motors Ltd.  
Pacific and Arctic Pipelines Incorporated  
Pacific and Arctic Railway and Navigation Company  
Pioneer Alaska Express, Inc.  
Skagway Terminal Company  
Yukon Pipelines Limited

Pioneer Alaska Express, Inc. has been fully consolidated in the accounts since October 25, 1976 at which time regulatory approval of its acquisition was received.

All significant inter-company transactions have been eliminated.

The accounts of certain subsidiaries are maintained in United States dollars, which have been translated into Canadian dollars as follows:

Current assets and current liabilities at exchange rates prevailing at the end of the year;

Fixed assets, depreciation provisions and long-term debt substantially on the basis of rates prevailing at date of acquisition;

Income and expenses (other than depreciation provisions) on the basis of average exchange rates during the year;

Exchange gains and losses from such translation practices have been included in earnings.

### Fixed Assets

Fixed assets are recorded at cost. Depreciation is determined at rates which amortize the cost of the assets over their estimated useful lives on the straight-line, declining balance or volume of use method, whichever is appropriate in the circumstances under which the assets are employed. Gains and losses on disposal of highway equipment and real property are included in earnings.

### Income Taxes

The company follows the tax allocation method of accounting for income taxes. Accordingly, timing differences as a result of claiming for tax purposes amounts different from those recorded in the accounts are reflected in earnings.

### Inventories

Inventories of bulk petroleum products are valued at the lower of cost applied on a "first-in, first-out" basis and market determined at net realizable value; inventories of other products and materials and supplies are valued at the lower of average cost and net realizable value or replacement cost.

## Note 2—Long-Term Debt

|   | 1977        | 1976        |
|---|-------------|-------------|
| 5½% unsecured loan stock 1963/78 .....  | 1,100,000   | 1,100,000   |
| Less: Purchased and held by subsidiaries .....  | 5,000       | 5,000       |
|   | 1,095,000   | 1,095,000   |
| 6½% and 8½% first ship mortgage notes, with aggregate annual principal repayments of \$320,000 to 1980 and \$325,000 thereafter to 1984 ..... | 2,260,000   | 2,580,000   |
| Bank loan   | —           | 1,000,000   |
| 11¼% real property mortgage with annual principal repayments of \$21,000 .....  | 50,000      | 71,000      |
| Total long-term debt .....  | 3,405,000   | 4,746,000   |
| Less: Current portion .....   | 1,436,000   | 1,341,000   |
| Net long-term debt .....  | \$1,969,000 | \$3,405,000 |

Long-term debt repayments required in the five years ending December 31 are:

|      |             |
|------|-------------|
| 1978 | \$1,436,000 |
| 1979 | 341,000     |
| 1980 | 328,000     |
| 1981 | 325,000     |
| 1982 | 325,000     |

The bank loan is secured by an assignment of accounts receivable and a pledge of inventories.

## Note 3—Share Capital

The preferred shares are redeemable by the company out of capital or otherwise, at such redemption prices as may be provided in the conditions attaching to such shares. The preferred shares Series A are redeemable at \$25.75 per share prior to December 1, 1980 and at \$25.25 thereafter.

## Note 4—Surplus Resulting From Consolidation

The surplus resulting from consolidation represents the excess of net book value of subsidiaries at the date of acquisition over cost to the parent.

## Note 5—Prior Years' Income Taxes

In 1977 the Federal Court of Canada allowed the company's income tax appeal in respect of its 1970 to 1974 fiscal years which resulted in a net recovery of \$354,000. This has been treated as a prior period adjustment and the comparative figures for retained earnings, income taxes recoverable and working capital have been restated.



#### **Note 6—Net Earnings Per Common Share**

Net earnings per common share have been computed by dividing the net earnings after deduction of preferred share dividends by the number of common shares outstanding during the year.

#### **Note 7—Remuneration of Directors and Officers For The Year 1977**

The company has eight directors whose aggregate remuneration as directors was \$10,000 and nine officers whose aggregate remuneration as officers was \$304,000. Three officers are also directors of the company.

#### **Note 8—Commitments**

The company is committed to lease agreements of varying terms up to twenty years with annual lease obligations over the next five years of approximately \$420,000.

In addition, the company has entered into sale and leaseback agreements whereby fixed assets have been sold at cost and leased for terms of eight and eleven years. The annual lease obligations over the next five years amount to \$287,000.

#### **Note 9—Pension Plan**

Annual contributions to the employee pension plan are charged against earnings. Such contributions are actuarially determined to include amounts necessary to provide for current service and for the funding of the past service liability of \$118,000 over the next four years.

#### **Note 10—Anti-Inflation Legislation**

The company is subject to the Anti-Inflation Act which imposes restraints on employee compensation, domestic prices and profit margins, and dividend payments until December 31, 1978.



# The White Pass Way





## *Operating Divisions*

*Manager, Petroleum Division*

W. J. L. Thomson, Whitehorse

*Manager, Highway Division*

P. R. Mulligan, Whitehorse

*Manager, Freight Terminal*

W. A. Dickson, Whitehorse

*Manager, Pacific and Arctic Motors Ltd.*

D. G. Kirk, Whitehorse

*Manager, Ocean Division*

S. Kollbaer, North Vancouver

*Manager, Loisel Transport Division*

M. L. Huntley, Edmonton

*Manager, Skagway Operations*

*Rail Superintendent*

W. A. Hisman, Skagway

*Manager, Pipeline Division*

E. C. Hanousek, Skagway

*Manager, Wharf Operations*

G. W. Knapp, Skagway

*General Manager*

*Pioneer Alaska Express, Inc.*

S. C. Carlisle, Fairbanks

## *Service Departments*

*Comptroller*

E.G. Hartmann, R.I.A., Vancouver

*Credit Manager*

W. J. Donald, Vancouver

*Internal Auditor*

R. A. Purcell, C.A., Vancouver

*Manager, Marketing and Business Development*

E. J. Cashman, Vancouver

*Director, Passenger Services and Development*

F. G. Downey, Seattle

*Manager, Passenger Sales*

C. P. Reynolds, Seattle

*Director, Personnel*

A. K. Schellenberg, Vancouver

*Manager, Public Relations*

A. C. Retallack, Whitehorse

*Manager, Purchasing*

G. E. Harrison, Vancouver

*Manager, Special Projects*

D. H. Sladden, Vancouver

*Manager, Systems and EDP*

J. A. Sinclair, C.A., Vancouver



